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MAIL ROOM

Florida Power
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

May 25, 2000

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 980643-EI

Dear Ms. Bayó:

In accordance with the Commission's Notice of Rulemaking, Order No. PSC-00-0832-NOR-EI, issued April 27, 2000 in the subject docket, enclosed for filing are an original and fifteen copies of Florida Power Corporation's comments on the proposed rule amendments set forth in the Notice.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

APP Helton
CAF _____
CMP 1
COM _____
CTR _____
ECR 8
LEG 1
OPC _____
PAI 1
RGO _____
SEC 1
SER 1
OTH _____

JAM/kbd
Enclosure

cc: Mary Anne Helton, Esquire
Mr. Tim Devlin
Mr. Jay Revell

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE

06518 MAY 26 00

FPSC-RECORDS/REPORTING

DOCKET NO. 980643-EI

**Proposed Amendment of Rule 25-6.1351, F.A.C.
Cost Allocation and Affiliate Transactions**

COMMENTS OF FLORIDA POWER CORPORATION

As the Commission was previously informed at Agenda Conference, Florida Power Corporation supports the proposed rule amendments recommended by Staff. However, the Company is concerned about the wording of revisions made at the Agenda Conference intended to provide an exception to the requirement that utilities charge an affiliate the higher of fully allocated costs or market price for non-tariffed services and products. As currently proposed, the exception allows a utility to charge less than *fully allocated costs* if the charge is above incremental cost and properly justified, but does not provide a comparable exception allowing the utility to charge less than *market price* where the market price is higher than fully allocated costs. Florida Power does not believe the Commission intended to create an exception for only one of the two possible pricing standards applicable to any given affiliated transaction, and on that basis, offers the following corrective language to the currently proposed wording.

25-6.1351 Cost Allocation and Affiliate Transactions.

* * *

(3) Non-Tariffed Affiliate Transactions

* * *

(b) A utility must charge an affiliate the higher of fully allocated costs or market price for all non-tariffed services and products purchased by the affiliate from the utility. Except, a utility may charge an affiliate the lesser of less than fully allocated costs or market price if the charge is above incremental cost. If a utility charges less than fully allocated costs or market price, the utility must maintain documentation to support and justify how doing so benefits regulated operations. If a utility charges less than both fully allocated costs and market price the utility must notify the Division of Auditing and Financial Analysis within 30 days of the transaction.

* * *

(d) When an asset used in regulated operations is transferred from a utility to a nonregulated affiliate, the utility must charge the affiliate the greater of market price or net book value. Except, a utility may charge the affiliate either the market price or net book value if the utility maintains documentation to support and justify that such a transaction benefits regulated operations. When an asset to be used in regulated operations is transferred from a nonregulated affiliate to a utility, the utility must record the asset at the lower of market price or net book value. Except, a utility may record the asset at either market price or net book value if the utility maintains documentation to support and justify that such a transaction benefits regulated operations. An independent appraiser must verify the market value of a transferred asset with a net book value greater than \$1,000,000. If a utility charges less than both net book value and market price, the utility must notify the Division of Auditing and Financial Analysis within 30 days of the transaction.

DOCUMENT NUMBER-DATE May 25, 2000

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